

THE CO-OPERATIVE FIRM: A NON-CAPITALIST MODEL FOR THE OCCUPY MOVEMENT.

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1 INTRODUCTION

The current financial crisis triggered not only economic recession but also an ideological and political crisis, which has quickly become characterised as one of the most profound of western capitalism (section 2). Since 2008, in protest against what was perceived to have been a man-made economic catastrophe, several grassroots movements and political organisations attacked capitalism and its symbols, targeting prominent symbols such as Wall Street, or the other sites of big banks and corporations in both Europe and North America. The apex of the crisis, with monetary instability and uncertainty on sovereign debts, was reached in 2012. Unbeknown to most observers this was also the United Nations international year of co-operatives.

After describing the so-called Occupy Wall Street Movement and their requests (section 3), this chapter argues that alternative actors, such as credit unions, workers' and consumers' co-operatives (section 4), could contribute more to the sustainability, fairness and growth of economies in time of crisis. The successes of co-operative firms in both western and developing market economies, has been all too frequently neglected. Even though cooperatives were not spared the detrimental effects of the recession, they revealed themselves more resilient than capitalist actors in the current and past crises (section 5). It is our central contention that cooperative movement and protest movements have several points in common (section 6), a fact which makes their lack of dialogue all the more regrettable. We suggest that the Occupy Wall Street Movement (OWS) should productively devote more interest and support to the cooperative model of ownership, rather than focusing its efforts on naive methods and ideological proposals (section 7).

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2 TIME OF CRISIS

It is possible to trace the origin of this crisis back to the United States of America, the symbolic centre of world capitalism. A few causes are commonly recognized as the triggers to the 2007-2008 US financial crisis whose consequences have been spreading around the globe ever since. The causes (Crotty, 2009) of this have, of course, been hotly debated but among the most commonly recognized causes identified as having paved the way for the collapse have been: subprime lending, the existence of excessively easy credit conditions and the consequent housing bubble, the predatory practices of negligent lending and the after-effects of fraudulent underwriting. Additional causes (Goodchild, 2012) are framed in terms of financial deregulation (as occurred under both Democrat and Republican administrations), the negative effects of over-leveraging (that started as early as in the mid 90s), and the general regrettable aftermath of a heaving over-complex financial management regulatory system.

Although no single moment can be pinpointed these preconditions worked together to create a series of interacting effects culminating in the, previously unthinkable, collapse of Lehman Brothers in September 2008. In a rush to take remedial action, the US administration managed to prevent a wider systemic failure through a massive injection of public money, asking the FED to take unprecedented action. A few financial institutions were either nationalised or bailed out. Although these actions did alleviate some of the local damage, they could not prevent the crisis spreading to both European Financial markets and the wider global economy. Other pre-existent factors, such as the global imbalances and the crisis of the welfare state, made the situation just worse (Tridico, 2012).

Similarly, in Europe, between 2008 and 2013, private banks had to be nationalised or bailed out by European governments in Britain, Germany, France, The Netherlands, Belgium, Luxemburg, Sweden, Denmark, Portugal and Greece. As in North America, governments and central banks initiated responses on an unprecedented scale. As the problems spread, however, so too did logistical challenges, particularly those associated with the coordination between the two sides of the Atlantic and with delays and mistakes within Europe in terms of creating a united response

between the actions of European Union institutions, Euro area institutions and national Governments.

In Europe, the US born financial crisis destabilized the common monetary area through the stress it placed on the sovereign debt market. This triggered conflicts between member states and resulted in a very slow and expensive process of stabilization. As we write, in mid-2013, the crisis appears under control, but to get this point required very unconventional actions by the European Central Bank and several high level meetings between EU member states, Euro area member states and international institutions. The need to lend money to Greece, Spain and later Cyprus, and the need to stabilize the Italian sovereign debt market, pushed forward the so-called “*fiscal compact*” and the now well known austerity policies at both national and European level.

Given the explicit nature of corporate mistakes and offences, the American debate reached not only the media but also resulted in a series of high profile tribunals and parliamentary inquiries. Great expectations were placed on these events, but sadly, despite the initial clamour and spectacularization, disappointment followed in terms of policies, legislation and court sentences.

The scientific (Blankenburg and Palma, 2009) and political debates were nevertheless huge in North America and in Europe receiving extensive media coverage and being widely debated in alternative fora such as social media and also within universities, public meetings and political events. The American debates had originally focused on the excesses of the finance industry and their actors. Protesters typically asked for better regulation and control, protesting specifically against banks and their top executives. Attention was also paid to the conflicts of interest that were highlighted as existing between the financial industry, the government and the parliament. In Europe the character of the debates were slightly different with the targets of resentment shifting early on to criticize government austerity policies, singling out distinct European and international institutions such as the IMF, ECB, and the European Commission, as the responsible culprits.

All the so-called occupy movements, in the USA and in Europe had a common enemy: the market and the corporations. In a context of growing unemployment, and government budget cuts, it was not difficult to motivate and fuel public enthusiasm for the cause in the form of massive street

protests, which proliferated alongside an increased influx of newspaper articles, books, films and documentaries against market and its excesses. Market and corporations were blamed for unemployment, the housing bubble, lost savings and properties. More than two decades of market fundamentalism were, according to many, to blame. In the words of Stiglitz (2009, p. 346):

“From a historical point of view, for a quarter of century the prevailing religion of the West has been market fundamentalism. I say it is a religion because it was not based on economic science or historical evidence.”

The current crisis of capitalism seems to have also precipitated the emergence of doubts, not only over the modern mess capitalism had got itself into, but also doubts concerning the beneficent effects of returning to the old order. The systems of power as described by Elias’ in *The Civilizing Process* (1939) or within Boulding’s *Organizational Revolution* (1953) were acceptable during periods of economic growth, but seem to have become unbearable during times of crisis. In a rush for action a series of high profile head hunting campaigns were undertaken to satisfy a growing public dissatisfaction over the structural inequalities of the old order. We have observed executives of prestigious financial institutions being publicly humiliated live by enquiry commissions³, we have seen bankers being forced to resign or to “voluntarily” renounce to outrageous bonuses⁴, we have seen powerful politicians or business men resigning from their positions or being ousted by public outrage⁵. The most violent protests took place in Greece; the country affected by the consequences of the crisis the most.

We will now review in details the origin and the nature of the OWS.

³ For instance, the US Financial Crisis Inquiry Commission.

⁴ For instance UK’s Royal Bank of Scotland top executives Frederick Goodwin and Stephen Hester.

⁵ For instance Italy’s bank Monte dei Paschi di Siena president or Greek and Spanish national and local politicians.

3 THE PROTEST MOVEMENTS

It is possible to trace the origins of these protests historically (Castells, 2012). Indeed protest has become one of a number of likely normative reactions to unpopular national and international policies. The last decade of the XX century and the first decade of the XXI century have been characterized by periodical protests organised at the G8, later G20, meetings. Fear of these reactions have meant that increasingly, these sorts of official gatherings have needed to meet in secluded and well protected locations. In a similar vein, the World Economic Forum meetings in Davos, an informal gathering of world financial and political leaders, found itself to be a favourite target for protests against globalization and neoliberal policies. Partly as a response to this increasingly critical and reflective climate, an alternative organization to the World Economic Forum was established and became a successful voice. The World Social Forum held his first meeting in Porto Alegre, Brazil, in 2001.

Criticisms have also increasingly appeared in pint. The beginning of the new century has seen a proliferation of publications about non-proprietary standards, anti-globalization, about the ethical dilemmas of consumerism, the aftermath of social conflict, and the need for sustainability. Examples of these sorts of publications are numerous, but include *Empire* by Toni Negri and Michael Hardt (2000), *No Logo* by Naomi Klein (2001), and *Petit Traité de la Décroissance Sereine* by Serge Latouche (2007).

After the outbreak of the 2008 financial crisis a plurality of protest movements and organisations came to be collectively called Occupy Movements, with Occupy Wall Street symbolising the Occupy Movement in its most eponymous and inspiring form. The chronological order of events leading to type of fashionable protest action is known, although the connections and causal relations between all the lead up events is still not entirely clear. The key inspiring events are commonly said to have been the establishment of Democracy Village in 2010 outside the British Parliament in London, the protests in Spain that started in May 2011, the earlier events of the so-called Arab Spring, and the Occupy Dataran movement in Kuala Lumpur of July 2011. A few

national examples can be useful to portray some of the common threads of the overall movement. It should be noted however, that the debates and situations are still evolving, even now, June 2013, the events surrounding the so-called Occupy Gezi Park movement in Turkey is dominating the world press.

3.1 National cases of protest movements

Sweden and Germany can be regarded as pioneers of direct political involvement and action of the protest movements, particularly as a direct result of agitations stimulated by their Pirate Parties. The first Pirate party was the Swedish Piratpartiet, founded in 2006. Other parties were subsequently formed in Austria, Denmark, Finland, Germany, Ireland, the Netherlands, Poland, and Spain. More recently, the national organisations have started to establish formal coordination at the European level given the very similar nature of objectives and methods. In some countries their success has been really tangible, in Sweden, for example, the party in 2009 obtained 7,1% of the votes in the European Parliament elections. Similar success was achieved in Germany in the 2011 elections.

Spain was disturbed in May 2011 by a protest movement that is still alive and active. This was the Indignants' Movement, alternatively known as Take the Square. The street protests which occurred during 2011 against the political class have paradoxically helped the conservative party to win the 2011 general election. All the blame for unemployment, state debt, the real estate bubble, was fully piled at the feet of the socialist government of José Luis Rodríguez Zapatero who had been in power since 2008.

USA was also the scene of similar discontents. In September 2011 the first Occupy protest that gained national and international media attention was Occupy Wall Street, in New York. Suggestively, gatherings, talks and camping took place in Zuccotti Park, in the heart of New York's financial district (Chomsky, 2012). Showing the power of such movements, in less than a month related gatherings were organised in dozens of other American cities (including even the occupation of the Wisconsin State Capitol building), as well as in about 80 other countries around the world.

Another inspiring event occurring on American soil was “Bank Transfer Day” This was a consumer activism initiative that called for “a voluntary switch from commercial banks to not-for-profit credit unions”. In the spirit of the times, everything started on Facebook as an event planned for the November 5th 2011. In a few days the event was joined virtually by tens of thousands of people and was replicated in other places and times in North America. The basic idea behind this collective action was to complain about the fees and service quality of the Bank of America, suggesting that those members of the public in agreement with the protestors should collectively swap their bank accounts to a cooperative bank, or a credit union as it is defined in USA and Canada. The participants of Occupy Wall Street supported the event, although it did not satisfy every one of their members, as a few radicals complained that cooperative banks should still ultimately be considered a bank, one of the foremost villains of the Occupy Movement.

Italy, so far, has not seen massive street protests such as those that occurred in Spain or Greece. Even the peaceful gatherings that have occurred can be seen to have been very limited if compared to their counterparts in France or USA. It seems that the anger of citizens and their participation has been diverted to a political movement, the Movimento Cinque Stelle that in 2013 has gained a third place in the general elections. The only exception to this Italian tendency towards a muted public response has been the so-called NO TAV movement (it reached its apex of conflict and activities in 2011). NO TAV is an informal organisation fighting against high-speed railways. In this case the gatherings often ended with violence against the police and the construction site facilities.

Last but not least, China has been only softly awakened by minor events that followed the inspirational Arab Spring, in what has been described as the failed Jasmine Chinese revolution, started in February 2011. Nevertheless the Special Administrative Region of Hong Kong has hosted a very interesting protest, the Occupy Central. The protest took place in a square, Central, in front of the headquarter of the international bank HSBC near the Hong Kong Stock Exchange. Protesters have added to the traditional global economic issues an additional local topic: the request for a reform blueprint towards universal suffrage in Hong Kong. The protest camp stayed in place

between 15th October 2011 and 11th September 2012 and was removed after court rules and police intervention. It is interesting to notice that the movement has survived the camp and is still active. Currently intellectuals and activists are working on the political manifesto of the so-called Occupy Central 2014 that will take place physically with similar objectives in July 2014, “to press the government for a democratic reform blueprint to achieve universal suffrage”.

3.2 Common values heroes and villains

With so many plentiful examples of success, the Occupy Movement is now recognized as a viable means of international protest against economic and democratic power imbalances, against social and economic inequality, and for those advocating the need for direct participation in economic and political relations. The movements, locally, have focused on different national issues, but nevertheless they share common methods and common sets of villains and heroes. The common method (Castells, 2012) is that of direct participation, which recently has increasingly involved the Internet as a means of organising events, sharing information and making decisions (Soule, 2012, Castells, 2012). The common heroes are the writers and the scholars (such as Negri, Latouche, Chomsky, Stiglitz) whose vision is shared and advocated by the movement. Inevitably there are a few politicians and corporation bosses among the enemies and among the heroes are inevitably the individuals who spearhead the campaigns and rose up media excitement, but it is very hard to map the leadership of the movement, the official demands and the political elaboration, given the extremely informal and participative nature of the organisation.

The ideological, scientific and political propositions behind these national movements also share some common points (Gamson, Sifry, 2012). There is a common protest against the causes of the crisis (neoliberal policies, excesses of market and finance, big corporations and unethical business, education debt, unfair tax structure, inequality, erosion of democracy), against the consequences of the crisis (unemployment, fiscal consolidation, welfare and labour market reform). There is also a common accusation against either the current or past political class. It is common to

see expressed a shared vision in support of sustainable growth (if not de-growth), open software and free access to resources such as water, healthcare and education (Chomsky, 2012; Roberts, 2012).

We will now consider the nature, the origin and the contemporary global role of cooperative firms.

4 AN OLD INSTITUTION

The apex of the crisis was reached in 2012, which was also the United Nations international year of co-operatives. It is interesting that more connections have not been made between the potential embedded within cooperative models and solutions that are aired for the ending of the economic crisis.

The co-operative firm is a very old institution. The roots of modern co-operation can be historically seen to lie in several forms of collective or communitarian work, such as those that existed within the Roman Empire, ancient Egypt, ancient Asian societies or the Latin American pre-Columbian peoples (Douglas, 1986). In 1844, the first modern cooperative organized around a formal business model was established in Rochdale, near Manchester, UK. At the end of the industrial revolution, and as a response to its collateral social problems, the western world developed the cooperative model, together with the workers' and democratic movements, trade unions, the Communist Manifesto and later the Rerum Novarum encyclical. In the following 150 years the modern cooperative became a worldwide model of economic organization of production in the manufacturing, services and banking sectors.

A cooperative is an enterprise owned not by investors but rather by other, non-capitalist, actors. It can come in many guises. There are Producer-owned enterprises (such as employee-owned firms, agricultural coops). There are Customer-owned enterprises (such as retail, wholesale, or supply firms, cooperative utilities, clubs and other associative organisations, housing cooperatives). There are also Non-profit and mutual enterprises (such as mutual savings banks, cooperative banks, loan associations, credit unions, life insurance, insurance companies).

Both socialist thought and Catholic social doctrine have inspired the development of the cooperative movement. In fact, the cooperative model is often mistakenly associated with being closely aligned to communism or state planned economies. Although the cooperative model does represent an alternative to capitalism, it is not however intrinsically mismatched to functioning within a market economy (Jossa, 2005). Indeed, quite to the contrary, cooperatives have actively flourished in the most liberal western nations. According to Hansmann (1996, p.297) while:

“freedom of enterprise is a fundamental characteristic of the most advanced modern economies. Capitalism, on the contrary, is contingent; it is simply the particular form of ownership that most often, but certainly not always, proves efficient with the technologies presently at hand⁶”.

In short, Cooperatives are primarily, representative of an alternative ownership model, and should be seen as successfully operating in market economies and contributing to the plurality of the market actors, despite the fact that they are fundamentally non-capitalist in orientation.

4.1 The cooperative sector today

The productive role that co-operative firms play in the market economies of both western nations and developing countries has nevertheless been frequently overlooked. Likewise, it tends to be forgotten that The International Cooperative Alliance, ICA, is the world’s largest NGO. The figures of the current size of the cooperative sector are impressive. According to ICA, there are one billion members worldwide.⁷ With regards to the banking and finance sectors, in 2011 the World Council of Credit Unions counted about 49.000 credit unions among their member institutions, equalling around 177 million individual members in 96 countries. In Europe there are 4200 local cooperative banks with about 60.000 branches holding an average market share of about 20% of the European banking market. These banks serve 45 million members and 159 million customers. At national levels the figures are even more impressive: the market share of cooperative banks in France is said to be higher than the average; in the Netherlands Rabobank, can count 50% of all Dutch citizens in its membership.

⁶ The comparative efficiency of a system of ownership rights can be calculated measuring the transaction costs connected with one solution or another: costs of politics, value of voting, cost of contracting, cost of monitoring managers, efficiency of capital allocation, value of entrepreneurship, value of culture and ideology, cost of ownership. And the non-capitalist form of ownership is not rare at all if we consider the figure that in the world there are 900 million members of cooperatives and only 320 million direct shareholders.

⁷ The World Watch Institute, Vital Signs Report 2012.

Some national cases are particularly impressive. In Canada for instance, one out of three citizens are members of a credit union. In the USA 42 million people receive their electricity supply from a co-operative. In Germany the cooperative sector represents the 25% of the banking sector. World-leading products are produced by cooperatives, such as most of French Champagne, all Danish Lurpak butter or 90% of Italian Parmigiano. Although not the primary focus of this chapter, it is notable that this situation is also to be found in the developing world. In India, for example, 55 million farmers are member of the Indian Farmers' co-operative IFFCO, and in Kenya 45% of national GDP comes from co-operatives.

International organizations such as the United Nations and the International Labour Organisation (ILO, 2002) have always devoted a special interest to co-operatives and their role worldwide. Also the European Union (Commission of the European Communities, 2001) and most of its member states have justified and deployed special legislation and policies in recognition and support of the cooperative sector.

“As a source of credit, food, social protection, shelter and employment, co-operatives play an important role. The United Nations estimated (in 1994) that the livelihood of three billion people was made more secure by co-operatives. At least 800 million are members of co-operatives and 100 million are employed by them" (Birchall and Ketilson, 2009).

There are several types of Co-operatives, a few countries, for instance Chile, Brazil, Italy, UK, Spain, France, USA, Japan are rich of every kind of them (consumers', workers', users', financial cooperatives). In other nations, the presence of the cooperative model is mostly limited to a few types (the most common model is the consumers' co-op and the supply co-op). Both consumer and the worker co-operatives operate in a variety of sectors: from retail to electricity, from school to university education, from manufacturing to housing, from performing arts to funeral services and health care.

4.2 The cooperative diversity

A true cooperative is owned by either its workers or consumers or users and this intrinsically makes them more socially responsible and participatory than their capitalist counterparts. Apart from the system of ownership rights, the diversity of cooperative firms can be mapped in a different way in each sector (Bernardi, 2007).

The advantages of cooperatives have been empirically observed by a number of scholars. The workers' cooperatives have been argued, for example, to represent in both theory and practice an alternative to traditional capital-labour conflict (Jossa, 2005; Bernardi et al., 2011). Being owned by the consumers or the user they represent a more transparent and fair business model. In the event of market failure they have been shown to be more efficient (Olsen, 2002; Jussila et al., 2008) and resilient under difficulties (Zanotti, 2013). Furthermore, co-operative enterprises represent world-wide distributed alternatives to the investor-owned limited company model (Spear, 2000; Chaves and Monzón, 2007). They respond to the expectations of consumers or workers better than firms driven only by the need to remunerate the investment of their owners (Jussila et al., 2008). It is also possible to argue that cooperatives offer better health and safety conditions to workers. Research by Guiol and Muñoz, (2007) has demonstrated the existence of a strong relationship between safety, well-being and workers' participation.

Cooperatives are rooted in their local communities and therefore often represent a respected and powerful institution at local level. It is much more likely that a firm owned by the community (for instance an electric cooperative owned by the whole village) will produce positive externalities (such as social capital and investments in corporate social responsibility) rather than negative ones such as pollution. Those positive externalities can vary quite a lot among different countries because each community, in any specific moment of social development of a nation, or during a specific economic cycle, use co-operatives slightly differently, to solve a specific problem, a peculiar market failure, or a local institutional inefficiency. Cooperatives represent not only a good service provider or a responsible employer but also an opportunity of reinforce rather than consume social capital (Bernardi et al., 2011; Fukuyama 1999; Putnam, 1993; Sabatini, 2013).

4.3 Market plurality

Furthermore, as Stiglitz has argued market plurality is a desirable and positive state for national economies (2009). In striving for a balance between Market, State, and other institutions, there should also be a role for not-for-profits and cooperatives⁸. It was not so long ago that the European continent was a model of a modern mixed social economy and used to represent an alternative to market fundamentalism; although over time this wider focus has gradually become eroded. Even the United States, despite not being commonly associated with cooperatives, can be shown to be home to an abundance of them, once you scratch beneath its capitalist surface. Indeed, although the role of credit unions and saving banks used to be much bigger in America, millions of Americans benefit daily from services and goods provided in an efficient alternative way. As in the case of the UK, some of the problems in the finance industry occurred just at the end of a process of demutualization during which several cooperative banks and building societies were transformed into traditional banks⁹.

We will now explain that the cooperative model has been particularly successful around the globe during past socio-economic difficulties and has shown resilience during the current crisis.

⁸ Stiglitz also argues that the years of the crisis of the western world, and in particular of those countries more market fundamentalist, have been the years of the raise of China. A country with a large role played by government that has based its growth upon a greater array of institutional arrangements including includes the township and village enterprises and cooperatives in the nineties.

⁹ For instance Bradford and Bingley and Northern Rock.

5 COOPERATIVES IN TIME OF CRISIS

In the XIX and XX centuries the mission of establishing a co-operative was primarily to provide a job or a shop or a service; whereas today the rationale has been subtly refocused to provide good jobs, socially and environmentally responsible products and alternative services which the State or the Market were commonly perceived as having failed to provide.

The cooperative sector has not been immune from the current financial crisis. In Spain, for example, the cooperative banks found themselves facing even harder problems than those experienced by the traditional banks during the crisis. Nevertheless, despite this and other inevitable exceptions, it is still possible to argue that the cooperative sector has shown itself to be remarkably resilient during times of crisis. A recent work (Birchall and Ketilson 2009) has measured the durability of cooperatives on the basis of several performance indicators. The findings show that in the case of the cooperative banks, for instance, that during the crisis the cooperative sector worldwide actually increased its volume of lending and offered better interest rates compared to its traditional competitors. Despite obvious pressures, these banks cumulatively increased their assets, deposits and membership levels.

5.1 Cooperation and past crisis

Cooperatives were well familiar with weathering the storms of financial crises. In part this success is inherently entwined with the investment and management structures of cooperatives themselves, and in part this is to do with the experiential lessons the movement has gained through its not always easy historical past. The modern cooperative was born during the far from easy social and economic consequences of the industrial revolution in Northern Europe and this trajectory of turning to the cooperative model during troubled times has been one that has repeated itself throughout history. It is possible to mention several national crises where either individuals or governments have looked to cooperatives as a solution to a problem.

To take an early example, the German rural cooperative bank model, exported all over the world, was invented by Friedrich Raiffeisen, during a deep agricultural depression in 1860s Germany. Similarly, the great depression of the 1930s in the USA formed the backdrop to new national policies that established large numbers of agricultural, dairy, electricity, telecommunication and petroleum cooperatives. During this period a cooperative bank was also established to explicitly provide credit to farmers. Furthermore, the Federal Credit Union Act was passed to support the working class that was unable to address the big traditional banks. Somewhat later, in the spirit of rebuilding after the Second World War, agricultural cooperatives in Italy were developed as part of reforms that recognised that the large rural properties needed to be redistributed and allocated more efficiently. Perhaps most dramatically, in the 1960s the cooperative housing model in Chile emerged after a powerful earthquake disrupted the effectiveness of the traditional market providers. In the same period in New York, for different reasons, the cooperative ownership of the residential buildings (cooperative housing and condominium) became the most commonly favoured ownership system for residential blocks of flats¹⁰. Again, during the 1960s and 70s in China the Rural Cooperative Medical Scheme was deployed by Mao to provide basic healthcare to millions of peasants that had any.

5.2 State, market and large corporations

The big corporation has definitely been a common villain for members of the occupy movements. In the USA it has become the symbol of the abuses of market power, unethical business, and the site of numerous conflicts of interest. The outrageous bonuses and stock options afforded to CEOs have been seized upon as powerfully demonstrating the greed and systemic

¹⁰ “In the United States in 1960, more than 99 percent of all residential apartments in multi-unit buildings were rented from commercial landlords. Since then, a rapidly increasing number of apartment buildings have come to be owned collectively by their occupants through a cooperative or, more commonly, a condominium. By 1991 cooperatives and condominium accounted for 16 percent of all multi-unit housing.” (Hansmann, 1996, pg 195)

corruption endemic in many mega corporations. In terms of looking for solutions, attention has been often focused on American law, criticizing the rights that have too often been collectively attributed to corporations as players within the judiciary.

It is interesting that although there has been much academic debate, within the realms of both economics and sociology, about the role of state and market (Hayek, 1944; Polanyi, 1944; Sennet, 1998; Clemens, 2010), the way the occupy movements have vulgarized the alleged dangers of the big corporation remains imprecise or extreme. As Wilkinson and al have argued (2010) many of the problems of big enterprises could be addressed through supporting different forms and practices of worker participation: ranging in a growing scale from Information, to Communication, Consultation, Codetermination, and Control (Wilkinson et al. 2010). The cooperative firm would be at the top level of this ranking of participation models. A rejection of corporations *per se*, does not seem to be the answer. Especially if the corporation is controlled by a good governance system, is well regulated and is organized with a high degree of workers participation.

It seems that the protest movements too often suggest that the state can be the only sole alternative to the excesses of market. This is not so. A third alternative would be for protesters and policy makers to consider the option of cooperative ownership. Indeed it is wrong to:

“...take it for granted that, in the absence of government intervention, large-scale enterprise will be organized in the form of investor-owned firm. ... Yet investor ownership is not a logically necessary concomitant of free markets and free enterprise. Rather, it is quite contingent, a form of organization that is often but not always dominant given the current technologies.” (Hansmann, 1996, p.1).

5.3 The cooperative sector and this crisis

Support for the cooperative model, anyhow, should not only be justified on the grounds of their ethically superior theoretical or ideological underpinnings¹¹. Cooperatives might deserve support by policy makers and by members of the protest movements because they tangibly contribute to the effectiveness of market by providing them with competition in the form of an alternative model of ownership and governance (ILO, 2002). Furthermore, they can be provably shown to be more sustainable and resilient in time of crisis (Massagli and Sorci, 2012). For instance, the figures on the performance of the UK co-operative sector compared to that of the overall economy provide some food for thought. Between 2008 and 2011 the number of cooperatives in the UK grew steadily: rising by 23% between 2008 and 2011. The membership level also increased by 19,7% between 2008 and 2011, currently recording some 13.5 million members. In terms of results, the UK cooperative economy has outperformed the UK economy every year between 2008 and 2011. Cooperative turnover in 2011 was 35,6 billion pounds and has raised on average of +5,9% compared to a negative average of -0,6% as for the total UK economy¹². Similarly positive figures are also available for the Italian economy. In this context, the cooperative sector has raised its productivity between 2008 and 2011 despite the fact that overall national productivity has been decreasing (Bernardi et.al 2011; Massagli and Sorci 2012; Zanotti, 2013).

Going back to the origins of the crisis (excesses of finance and gigantism of the banking and finance institutions) the case of the Italian Cooperative banking sector provides an illustrative example. In this case a plurality of actors are involved but the most important one is the BBC, Banca di Credito Cooperativo. This is a network¹³ of 400 independent banks that share core central operations such as asset management, marketing, information systems, and procurement. Although the system is big enough to offer a wide variety of services and an efficient allocation and

¹¹ In fact, “much of the existing literature on ownership, and particularly on worker-owned and consumer-owned enterprise, reflects some degree of ideological commitment” (Hansmann, 1996, pg. 7).

¹² Figures from Cooperatives UK, The UK co-operative economy 2012, Alternatives to Austerity.

¹³ The overall network counts 4400 branches, serving more than 1100.000 members through almost 35.000 employees.

management of capital, the 400 banks are independent, and the failure of one, or several of them, would not compromise the whole system. This is surely a persuasive advertisement for the benefits of the cooperative model, not least because of the stark contrast it presents to the damage created to the national financial sector in the case of the collapse of big traditional banks. While the European Central Banks and the ECB itself are debating about how to solve the “too big to fail” paradox, such a federation of banks shows how to be local, but at the same time big, yet big in a way that crucially avoids putting all of its eggs in the same basket.

As we have exemplified, the cooperative firm may provide some of the answers and solutions sought by OWS. In the next section we will review the values shared by OWS and the Cooperative Movement. The failure of OWS in delivering feasible proposals and real impact will be described.

6 PROPOSAL WITHIN PROTEST

From the establishment of the first modern cooperative in Rochdale, the international cooperative movement has prided itself on its seven core inspiring principles. The inspiring principles are “Voluntary and Open Membership”, “Democratic Member Control”, “Member Economic Participation”, “Autonomy and Independence”, “Education, Training, and Information”, “Cooperation among Cooperatives”, and “Concern for the Community”. Finally, we argue that these principles should make cooperatives a natural choice of ally of for members of the protest movements as they have main points of approach in common.

6.1 Shared principles

One point of convergence that has been rarely discussed is that that lies between the values of the Cooperative Movement (ILO, 2002) and those espoused by the core supporters of OWS. It is a central contention of this chapter that members of Occupy Wall Street should recognize the importance of shifting from critical (some might say, even naïve) protests against market towards a more informed and constructive set of proposals for a better regulated market, responsible consumer’s choices, and the presence of alternative non capitalist market actors such as co-operatively owned or local authorities owned enterprises.

Taking each of the principles of cooperatives one by one a number of similarities and points of potential dialogue can be identified (all quotations from the modern definition of the seven cooperative principles as adopted in 1995 by the International Co-operative Alliance):

Voluntary and Open Membership: “Cooperatives are voluntary organizations, open to all persons able to use their services and willing to accept the responsibilities of membership, without gender, social, racial, political, or religious discrimination.” In a similar way it could be said that one of the central objectives of the protest movements have been their consistent clamour for the free and direct involvement of consumers and workers. Workers and user or consumers’ co-operatives could be set up in virtually any sector or industry, aside from the very capital intensive

ones. Chomsky (2012) himself, a key actor of OWS, argues for economic democratization suggesting the cooperative model to allow workers controlling the means of production.

Democratic Member Control: “Cooperatives are democratic organizations controlled by their members, who actively participate in setting their policies and making decisions. Men and women serving as elected representatives are accountable to the membership. In primary cooperatives members have equal voting rights (one member, one vote)...” All the protest movements, but in particular those who have managed to actively run for local or national elections, have argued in favour of economic democracy, at a macro level, and for democratic control of their organizations themselves at a micro level. This is another common point. The Visa and MasterCard network is an example of a technology and platform owned by the member banks, either big or small. This can be applied to many other business sectors, but more generally, a democratic organisation such as is presented through the ideal of the co-operative should be treasured by all the movements sharing a concern for the erosion of democracy¹⁴ in contemporary societies.

Economic Participation: “Members contribute equitably to, and democratically control, the capital of their cooperative. At least part of that capital is usually the common property of the cooperative. They usually receive limited compensation, if any, on capital subscribed as a condition of membership. Members allocate surpluses for any or all of the following purposes: developing the cooperative, possibly by setting up reserves, part of which at least would be indivisible; benefiting members in proportion to their transactions ...” The protest movements have not always proposed a formal platform to transform their proposals into actions (Roberts, 2012). It could be suggested, however, that principles of collective economic participation and the reinvestment of profits could be more rigorously discussed by members of the protest movements. Rather than outright rejecting the need for profit and capital, cooperatives provide alternative ways to manage them.

Autonomy and Independence: “Cooperatives are autonomous, self-help organizations

¹⁴ According to Chomsky (2012), democracy is a key topic in defining the Occupy Movement that: “should be regarded as a response, the first major public response, in fact, to about thirty years of a really quite bitter class war that has led to social, economic and political arrangements in which the system of democracy has been shredded.”

controlled by their members...” This is an important point of contact between the cooperative movement and the protest movement, because in different ways they both claim the importance of independent businesses. Both concur that the current dominance of big corporations or banks is a threat to economic plurality and indirectly also a threat to democracy and intellectual freedom (Graeber, 2011). They both see the importance of having a plural and participatory system. To this end, Wikipedia, which has been widely used in protest campaigns, provides an appropriate example of a knowledge platform that is democratically owned and controlled by its users and contributors.

Education, Training and Information: “Cooperatives provide education and training for their members, elected representatives, managers, and employees so they can contribute effectively to the development of their cooperatives. They inform the general public - particularly young people and opinion leaders - about the nature and benefits of cooperation.” Members of the protest movement have often raised issue surrounding the freedom of the press, recognising the regular conflicts of interest that commonly exist between politics, the press and economic power. As part of these vocal campaigns several independent documentaries and training films have been produced spreading the message of the evils of the market and in favour of alternative models. The cooperative model since it’s beginning has been marketing itself in a similar way. Numerous examples exist from documentaries highlighting the successes of the cooperative cause in financing schools, universities or local business initiatives.

Cooperation among Cooperatives: “Cooperatives serve their members most effectively and strengthen the cooperative movement by working together through local, national, regional, and international structures.” As in the protest movement, the basis of the movement is one centred upon horizontal help between members, as opposed to the vertical, hierarchical corporate structures, so despised by protestors.

Concern for Community: “While focusing on member needs, cooperatives work for the sustainable development of their communities through policies accepted by their members.” This is perhaps the most important point of connection, as a concern for the community and sustainability is a clear common goal for both movements.

6.2 Reform or revolution?

As Noam Chomsky has argued, the demands of the protest movements have been either very moderate (so much so that even the *Financial Times* columnists have welcomed them) or they have been too vague and implausible (overthrow capitalism, establish direct democracy, etc.) meaning they do not appear to seriously contest the existing capitalist interests and power systems (Chomsky, 2012). As Graeber has argued, the occupy movements have failed to suggest feasible actual alternatives to the model they have been opposing (Graeber, 2013). The emphasis on the method (transparency, information, direct democracy) is not enough if it is not supported by a strong policy platform. Even Joseph Stiglitz¹⁵ has publicly argued that the Occupy Movements have failed to deliver because of lack of organisation and of a pragmatic approach.

Furthermore, some of the approaches seem to be worryingly articulated instead. For example, the common depiction of the market as a public enemy could be a dangerous oversimplification of a complicated economic situation with few absolute heroes or villains (Roberts, 2012). Similarly, the idea that the State by definition would be a better supplier of services than the market, regardless the sector, the service, and the efficiency could be regarded as excessively reductionist. Another big taboo for the protestors centres upon idea of profit, which is generally characterised by members of these movements as evil, dangerous or wrong. Indeed, advocates of cooperatives would argue that profit is actually good, if achieved in a fair and sustainable way. Most cooperatives see profit as a measure of their efficiency and financial sustainability allowing the organisation to keep offering services and goods to their members and providing its workers with employment.

Other issues, such as the public ownership of the national currency and the seigniorage have been debated in an overtly polemical way as well. They are actually complex topics, which arguably suffer rather than advance through the popular public activism of street protests.

¹⁵ On the 18th October 2012 in an interview on the New York public network Channel 13.

Nevertheless at local level, cooperatives have for a long while been offering successful experiments of collective lending and public currency, at the very micro level. Another example of a recurrent oversight of the Occupy Movement is the way their activism seems to be articulated via anger and attacks towards banks and financial system, which are in reality institutions as neutral as the market. Indeed, it seems limiting to reduce banks to public enemies and, as explained by advocates of the Bank Transfer Day movement, there are alternatives to the traditional banking market and consumers, savers, should be aware of the diversity and make wise choices.

Different models of employee ownership¹⁶ are possible over and beyond those promoted by cooperative supporters. The political and scientific debate on alternative forms of ownership is rather developed, in Europe and could be harnessed by members of the occupy movements to constructively discuss alternative policies. A strong debate about mutual ownership is occurring in the United Kingdom. Very advanced proposals have been produced in particular with regards to the processes of privatization or transformation occurring within the public sector such as in the cases of the NHS, The Post Office or the newly nationalized banks (Michie, Llewellyn, 2010; Michie, Ham, Mills, 2010).

Given the complementarities between Cooperative Movement and OWS we will now call for dialogue and collaboration between the two movements.

¹⁶ Employee ownership (where employees own more than 50 per cent of the shares); Co-ownership (employees hold substantial minority stake of more than 25 per cent); Employee stock ownership plan ESOP (minor employee-owner schemes to provide a company's workforce with an ownership interest in the company); Workers' co-operative (employees own firm indirectly as members, not as shareholders, with rights to be represented at board and/or management level).

7 CONCLUSIONS: OWNERSHIP NOT OCCUPATION

The Occupy Movement needs a feasible and pragmatic alternative proposal to make protests constructive and consequently more effective. Their emphasis to date on methods rather than on solutions has proved to be largely ineffective. Without a feasible and sound proposal the Occupy movement will either decline (Roberts, 2012) or, even worse, will end up reinventing itself more radically.

The Cooperative Movement needs to attract a new generation of members with motivations different from those of the previous generations. Indeed, to this end, the ICA has already recently developed a new corporate image with the logo, the slogan and the flag of the next 150 years of cooperation. The old ideological membership of the fathers (either Socialist or Christian) and the grandfathers is gone forever and a new set of reasons to join that resonates with the young and the socially aware needs to be written and promoted.

Cooperatives see that they need both membership and active participation to survive. If the Cooperatives and the Protest Movements worked together there is a great potential for synergy between the two groups. The Occupy movement has the energy, youth and participation to reinforce the Cooperative Movement. The Cooperative sector has the organisation and the infrastructure to support the Occupy Movement. Above all it provides a historically tried and tested practical alternative to current market fundamentalism.

This collaboration between the Cooperative and the Occupy movements requires effort and dialogue between the two parties and many observers feel that this is not likely to happen (Shepard, 2012), especially because of the international and informal nature of the latter. Nevertheless several projects at national and local level may be deployed to start such a dialogue. The finance and banking sector could be a very powerful starting point, if only the protest movement would formally consider cooperative banking as a model of sustainability, fairness and ethics. The consumer cooperative sector might also be promoted to protest movement supporters as a model of ownership, responsible consumer behaviour and fairness. Together, both movements could pool their many common concerns and raise a common voice. Where possible the cooperative ownership

should be supported as a model of transferring utilities, services and public goods infrastructures from the State to the community, rather than to a large capitalist corporation.

The protest movement needs the co-operative sector. The cooperative movement needs the energy and youth involved in the occupy movements. Citizens of the North and the South of the world need both: a competitive alternative actor for the market and a strong advocate against the excesses of capitalism through ownership, not occupation.

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